ABSTRACT OF THE THESIS ENTITLED

"Role of Latur Urban Co-Operative Bank's in Economic Development with Special Reference to Latur District"

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Introduction:

The Indian economy is passing through a crucial phase of economic development with social change in the present context of liberalization, privatization and globalization. Political sovereignty, adoption of democratic system, the functioning of mixed economy and the policy of a planned economy have already provided a new environment for socio-economic development of the country. Economic development as a grand theme of our economic policy has received great attention in recent years. The Governments have initiated economic development through planning and other developmental programs and policies.

Since, the present study deals with the developmental issues, it is essential to discuss the concept of economic development with regard to its objectives, determinants and parameters to measure it.

Meaning of Economic Development:

Economic development refers to a process of increasing the real national income and per capita income over a period. It implies improvement in the material welfare of the masses by bringing about a change in the existing pattern of their standards of living. It aims at improving the quality of life of people by generating large-scale income and employment, raising the productivity and by supplying the essential commodities and services necessary for comfortable living.

However, economic development is different from economic growth but they are inter-connected. Growth has a quantitative dimension and development has quantitative, qualitative and structural dimensions.

Role of Banks in National Economic Development:

The banking system can influence the pace and position of economic growth by institutionalizing savings and enhancing resources in

Well-determine directions in consonance with the national objectives and priorities.

Bimal Jalan (2001): has observe, "Over the last three decades, the role of banking in the process of financial inter-mediation has been undergoing a profound transformation owing to changes in the global financial system and it is now clear that a thriving and vibrant banking system requires a well-developed financial sector with multiple intermediaries operating in market with different risk profiles".

The financial factors helps to raise production, productivity and thereby national income and per capita income of a country. According to **Rudiger Dorobusch** and **Alejendro Reynoso (1989),** the growth in per capita income derives from two ingredients; one is accumulation of physical capital and another is more efficient of resources. The efficiency of resource use is support the application of superior techniques, but also importantly by policies and institutions. Financial factors in economic development potentially exert on influence through both channels; they affect the availability of savings but they also affect the inter mediation of these savings to the highest return investment opportunities.

According to **Singh Autar (1977):** " The development, welfare of whether it is social, cultural, economic, monetary, fiscal or political, sectors depends on the various financial resources which are available to the country, either from within or from outside because finance plays a significant role in the economic development of a country".

The distinguished American economist **Prof. Rostow (1952)** has divided the process of economic development in five stages, which chronologically are; the traditional society, the pre-conditions for take- off; the take-off; the drive to maturity; and the age of high mass

Consumption. While still there are number of countries in the world that are in the first stage of traditional society, the age of high mass consumption has just begun in a few affluent countries, like the USA. Now, India has entered the stage of pre-conditions for take-off.

Banking institutions form the 'heart' of the financial structure of any country. Banks are consider the most important of all the financial intermediaries in the financial system of a country.

Schumpeter (1912), regarded banking system as one of the two key agents (the other being entrepreneurship) in the whole process of development. He stated that bank credit and economic development are positively correlate. He described bank credit as the fundamental phenomenon of economic development.

Significance, Problems and Prospects of UCBs in India:

Significance of UCBs:

The UCBs occupy a significant place not only in the co-operative movement but also in the banking structure of India. Despite the existence of commercial banks, the UCBs have a distinct status and wider role to play. UCBs occupy a strategic position and are playing a vital role in meeting the requirements of small man in urban and semi-urban regions.

Kattimani (1994) has observed that being location specific banks, The UCBs have a clearly demarcated area of operation, which enables them to serve their clientele with greater efficiency and effectiveness.

According to **The Committee on Problems of UCBs in Maharashtra (1976),** being local institutions, UCBs are vitally interested in local development and hence they can play an important role in mobilizing local resources and making them available locally for purposeful and productive activities conforming to the priorities as per the state or central plans. Urban banks can play an important role in the process of urbanization, which is greatly challenging one.

The Indian Central Banking Enquiry Committee (1931) has observed that the duty of UCBs should be to try to help the small traders, the small merchants and the middle class population what the commercial banks are doing for the big traders and big merchants. The UCBs qualify by establishing personal and intimate relationship with people of small means as the most suitable agencies for serving their credit needs.

The Rural Banking Enquiry Committee (1950) has observed that the UCBs would be able to offer facilities to the urban people and to the individuals in the nearby rural areas and in view of their relatively low cost establishment and operation can go up to places smaller than Taluka towns.

The Banking Commission (1972) has observed that the UCBs do useful work in mobilizing deposits and financing the sector of small borrowers. This type of banking provides a useful avenue for those who have the necessary ability to set up a bank.

The Committee on Urban Co-operative Bank (1977) has observed that the UCBs do useful are eminently suitable for filling up the existing credit inadequacies in urban and semi urban areas at comparatively lower cost of operations.

The Problem Areas:

The UCBs constitute an important segment in the multi-agency banking system of India. With a wide network of more than 6000 branches, with a total business equivalent to 8 per cent of the total business of commercial banks, the UCBs are showing an impressive performance in the country. However, at the same time they are facing inherent problems of a formidable nature.

The important problems among these are,

- The problem of dual control.
- The competition from new players in the banking sector.

- Legislative rigidity flaws.
- Failure of UCBs and the presence of large number of weak and sick banks.
- Lack of professionalism and corporate governance.
- Financial unsoundness.
- Restrictions on their activities.

The UCBs are control the RBI and the respective co-operative departments of State Governments. This has created lot of confusions and conflicts, as there is lack of co-ordination between them.

The UCBs with a weak equity base and limited resources stand to face increasingly stiffer competition from bigger and large number of players in the field. The owned funds constitute a small percent of their total working capital.

The UCBs are not entitled to enter into capital market and raise their resources. They are unable to attract large depositors because of limited product they can offer.

The Government is creating all bureaucratic hurdles in their working, which has resulted in operational problems. UCBs cannot undertake activities such as brokerage, factoring etc.

The product base of UCBs is very small. They are not allow to transact in foreign exchange as authorized dealers. They are prohibit entering into credit card business. They are not allow to participate in consortium lending in infrastructure projects and so on.

The UCBs lack the necessary professional management skill and corporate governance. This aspect is very important in deposit and credit management. Credit management includes credit investigation, documentation, and appraisal, review, follow-up, recovery and write offs. All these things require professionalization and good corporate governance.

The UCBs are facing with the problem of over dues or NBAs. A good number of UCBs have been liquidate in the country. The number of weak sick and unlicensed UCBs has also been increasing. Merging of weak UCBs with the strong UCBs is taking place. The extension of international prudential norms based on Basle Committee recommendations to UCBs such as capital adequacy, NPA norms, asset classification, income recognition, gradation of UCBs etc have become difficult to follow. The financial sector reforms and the banking sector reforms have a great influence on the working of UCBs.

Another problem of the UCBs relates to the imbalances in their regional development in the country. UCBs are highly concentrated in five States vise, Gujarat, Maharashtra, Karnataka, Tamil Nadu and Andhra Pradesh. They are not so popular in other States of the country.

Prospects:

All the problems of the UCBs, which will be discusses, now are to be carefully studied and remedial measures will be suggested and initiated to make these banks more vibrant and viable in all their operations. The UCBs should attempt to reposition themselves against the backdrop of banking sector reforms and consequent competitive environment and the fast changing regulatory framework. The UCBs should drastically change and innovate as far as their approach to various facets of banking is concerned. A careful observation of growth of UCBs in respect of number of banks, branches, membership, deposits, loans outstanding, working capital etc. shows that these banks have a bright future in the country. With their unique features, they can bridge the banking and credit gaps of commercial banks and they can take the leadership of the urban cooperative credit movement. These member driven banking institutions are pose to play an important and effective role in the economic development of the country.

The Madhav Das Committee (1978): appointed by the RBI has made the right observation in this regard. "Urban Banks wherever established are eminently suitable to fill the existing gaps in banking and credit needs in urban and semi-urban areas at comparatively less cost of operation and with the simplicity, close contacts, local feel and involvement can also enjoy the confidence of local people". Yet their future developments should not be view in isolation without taking into account the totality of the banking system.

The UCBs have to survive and flourish in the country. Their existence, continuity and growth are essential in the urban credit delivery system.

Statement of the Research Problem:

The topic of the present research study is **"Role of Latur Urban Co-Operative Banks in Economic Development with Special Reference to Latur District",** i.e. to analyses the role and contributions of urban co-operative banks to the economic development of urban and semi-urban regions.

The difficulties posed by shifts in the economy and society significantly affect the business activities of UCBs. The recent economic reforms initiated in India since 1991 have facilitated a transition from a closed economy to a global economy. The banking industry was the first to encounter the market economy because of liberalization, privatization, and globalization.

The lifestyle of city families is rapidly evolving. Urbanization and urban growth have increasingly become a significant challenge in India. Considering the aforementioned facts and market trends, the mobilization of deposits and allocation of credit is increasingly challenging, and the UCBs must be increasingly selective in providing credit facilities each day. At this pivotal moment, can the UCBs meet the challenge, adapt, and

address the evolving trends? Are they able to demonstrate remarkable banking results using cooperative methods? Can they interpret the overall collective monetary policy objectives of the RBI? Are they able to fulfill their promotional and developmental responsibilities effectively? These represent the key research inquiries and problem domains in the field of study. All these issues will be thoroughly examine, and solutions will be identify

While the UCBs hold an important position in both the co-operative movement and the banking framework, their effectiveness, accomplishments, and challenges have not been adequately study in research. The Central Government, State Governments, and the Reserve Bank of India have carried out numerous investigations primarily focusing on the function of co-operative banks and societies in the rural sector. Nonetheless, in contrast to rural credit, the topic of urban credit has not garnered significant focus from the RBI, the Government of India, or the State Governments. This holds true regarding the personal research conducted by scholars.

Focusing on this aspect has gained importance due to the minimal attention given by the government to the urban credit movement in contrast to rural credit, especially considering the intense competition they face because of globalization and the unmatched growth of commercial banks throughout the country. This presents a significant risk to the survival and expansion of UCBs in the nation.

Therefore, the researcher felt that an in-depth micro level, local oriented grass root level study will essential on the developmental role of urban co-operative banks. The working, progress and performance of the LUCB gave insight to the researcher to study this problem area and to undertake this research work. Hence, the present study aims at examining the, **“Role of Latur Urban Co-Operative Banks in Economic Development with Special Reference to Latur District”**.

Need for the study:

The difficulties posed by shifts in the economy and society significantly affect the business activities of UCBs. By embracing social responsibilities, the UCBs have undertaken the modernization of their systems. The modern urban co-operative banking allows for innovation, modernization, professional development, and a scientific approach to decision-making. Society is constantly evolving, and its needs and objectives shift periodically.

Mehra (1982) correctly noted that the extensive corporate objectives of banks, their intricate operations and functions, along with the complex environment, require not just adequate training and professionalism, but also effective planning and relevant research to ensure informed decisions are made to tackle challenges and achieve goals.

Research denotes efforts to find solutions to issues utilizing scientific methods characterized by precise observation and sound reasoning. Through investigation, ongoing exploration will focus on different aspects of situations; the causes for their occurrence and their effects on the organization will be reveal. Once these are discover, they are accurately understanding within the framework of the organization, and the significance of the policies and decisions made is examine.

The Banking Commission (1972), in its report drew attention to the need for continuous research and development in banking. According to the report of the commission, research and development should aim at gaining insight into the manner of functioning of the banking system as a whole in the context of problems of development. The commission has also indicated the problem areas of research in banking. In that one problem area is ‘working of banks and their contributions to economic

Development'. Therefore, the researcher selected this problem area for the present research study.

The need for the present research study will be reviewing the existing literature on urban co-operative banks. (Discussed in detail will be in specific chapter of research work).

Table No. 1.1 : No. of UCBs in India, State and Study Region

Sr. No.	Regions	Branches	Sub-Branches
1	India	2090	817478
2	Maharashtra	445	223556
3	Latur	13	2245

Source: *https://cooperatives.gov.in/en/home/ucb-reports.*

The research study will based on both primary and secondary data. The study has conducted at both the macro and micro level. At the macro level, the progress and performance of UCBs in India and Maharashtra will be analyze. The analysis was under taken further deeper into the contributions of UCBs to economic development by examining how far aggregative monetary policy goals of the RBI are translated by an individual urban co-operative banking unit and by analyzing the impact ofurban co-operative bank credit on income and employment generation.

The research will rely on primary as well as secondary data. The research has been Carrie out at both the macro and micro levels. At the macro level, the advancements and achievements of UCBs in India and Maharashtra will be examine. The study will conducted to explore more thoroughly the role of UCBs in economic development by assessing the extent to which the broad monetary policy objectives of the RBI are implement by a specific urban co-operative banking unit and by evaluating the effect of urban co-operative bank lending on income and job creation.

In this study, economic analysis will employ both descriptive and

Analytical techniques. The study at the grass root level will conduct using primary data collected through the creation of distinct interview schedules for bank officials and selected borrowers. Rather than conducting a literature review by author, a thematic literature review will be perform to uncover the gaps in the literature.

The objectives of the study are outline below.

Importance of the study:

This current research aims to introduce new aspects to the existing Body of literature regarding urban cooperation and economic development.

The research will focus on the development and achievements of UCBs in India and Maharashtra. Thus, it would serve as a valuable resource to comprehend the operations and accomplishments of UCBs in India and Maharashtra concerning membership, branch growth, deposit collection, credit allocation, financing to the priority sector, and support for the underprivileged, among others.

A detailed, micro-level analysis of the functioning of a specific entity within the urban cooperative banking sector is indeed beneficial for comparable organizations in enhancing their effectiveness.

Several studies will carrie out at both the national and regional levels on different topics within the urban co-operative banking sector. Nonetheless, India, as a large nation with diverse natural, social, cultural, temporal, and economic traits, increasingly requires area-specific, locally focused, in-depth, and grassroots studies for the development of effective Policies, plans, and programs. This current research will be an endeavor in this direction.

This study aims to be the first to explore how the RBI's overall monetary policy objectives are implement by individual micro units within the urban co-operative banking sector, as well as the effect of

priority sector lending on the income and job creation of borrowers involved in various activities. This will serve as crucial feedback for the LUCB and the RBI.

The recommendations proposed in this study will aid practicing executives in enhancing the efficiency, productivity, and profitability of urban co-operative banks. The policy suggestions provided in this study will assist the Government in developing appropriate urban co-operative banking policies and this will also aid in addressing the challenges faced by the urban co-operative banking sector. The study is anticipate being beneficial for young researchers and students who have recently begun their journey in the important field of Co-operative Banking.

Objectives of the study:

1. To analyze the role and contributions of UCBs to the economic development of urban and semi-urban regions.
2. To trace out the genesis, progress and performance of urban co-operative banks in India and Maharashtra.
3. To analyze the progress and performance of the Latur Urban Co-operative Bank.
4. To examine how far aggregative monetary policy goals of the RBI are translate by an individual micro unit of the urban co-operative banking sector with special reference to the Latur Urban Co-operative Bank.
5. To study the developmental role of UCBs by analyzing the impact of urban co-operative bank credit on income and employment generation of the borrowers engaged in different activities with special reference to the Latur Urban Co-operative Bank.
6. To suggest the corrective measures and policy recommendations in the light of the findings of the study.

Hypotheses:

Based on the review of literature and the objectives of the present study, the researcher will be formulated the following hypotheses, which will be going to be testing in the future study.

Hypothesis No. l: The Latur Urban Co-operative Bank is a viable banking unit, its capital base is sound and strong, and it has showed an impressive performance

Hypothesis No. 2: The Latur Urban Co-operative Bank is actively translating the overall aggregative monetary policy goals of the RBI and contributed to economic growth, stability and equality.

Hypothesis No. 3: The intensive urban co-operative bank credit has substantially increased the net income of the borrowers engaged in different activities.

Hypothesis No. 4: The urban co-operative bank credit has sufficiently raised the employment of the borrowers engaged in different activities. Keeping these objective and hypotheses, it has been tried to collect relevant data and information to study the developmental role of UCBs.

Chapter scheme of the study:

The present research study will designed to cover sixth chapters.

Chapter I: Introduction:

This chapter will deals with the introduction, statement of the research problem, objectives and hypotheses of the present study, usefulness of the study and the chapter scheme of the present study.

Chapter II: Review of Literature:

This chapter will be represents the thematic literature review on earlier studies on the themes like viability, productivity, profitability, liquidity, deposit mobilization, deployment of bank credit, banking sector reforms etc. The chapter also deals with the review of the reports of various

Committees and Working Groups appointed by the Reserve Bank of India, Government of India and State Governments. The chapter will be highlights the limitations of the existing literature and the list of major literature gaps and the focus of the study.

Chapter III: Research Design and Methodology of the study:

This chapter includes Data source, methodology of the study, statistical tools and techniques will used, sampling design and the definitions of the concepts and terminologies will be used in the study.

Chapter IV: Role of UCBs in Economic Development with the LUCB- An Impact Analysis:

This chapter will examine the promotional and developmental function of the LUCB by assessing how UCB credit affects the income and job creation of borrowers involved in various activities, utilizing empirical data.

Chapter V: Analysis and Data Interpretation:

This chapter will address the development and data analysis of the LUCB according to specific parameters, indicators, and ratios.

Chapter VI: Results and conclusions, recommendations and policy suggestions:

This chapter includes major findings of the study and the Conclusions will drawn. Suggestions and policy recommendations will made in this chapter for the improvement of the efficiency of UCBs and for the formulation of proper urban cooperative banking policy.

Limitations of the study:

Co-operative means the organizational setup only. These banks are register by Registrar of Co. op. Societies and Licensed by RBI .They are under dual control. They work like commercial banks, accept deposits and make loans advances. The differences are.

1. The study is focused on economic development role of UCBs only

2. The present study is limited to Latur district only.
3. The present study is limited with Latur Co-operative Bank Ltd. Only
4. The present study is limited for the year of 2020-21 to 2024-25.

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